

**REPORT OF THE AUDIT OF THE
OHIO COUNTY
CLERK**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OHIO COUNTY CLERK

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Ohio County Clerk's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$34,832 from the prior year, resulting in excess fees of \$527,493 as of December 31, 2008. Revenues decreased by \$94,262 from the prior year and expenditures decreased by \$59,430.

Report Comment:

- The County Clerk's Office Lacks Adequate Segregation Of Duties Relating To Receipts

Deposits:

The County Clerk's deposits as of April 10, 2008, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$23,779

The County Clerk's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the County Clerk's deposits in accordance with the security agreement.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Jones, Ohio County Judge/Executive
The Honorable Bess Ralph, Ohio County Clerk
Members of the Ohio County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Ohio County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 4, 2009 on our consideration of the Ohio County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable David Jones, Ohio County Judge/Executive
The Honorable Bess Ralph, Ohio County Clerk
Members of the Ohio County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Clerk's Office Lacks Adequate Segregation Of Duties Relating To Receipts

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Ohio County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 4, 2009

OHIO COUNTY
 BESS RALPH, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

State Grants		\$	24,689
State Fees For Services			7,613
Fiscal Court			
County Clerk's Salary	\$	79,396	
Tax Bill Preparation		4,567	
County Reimbursement		<u>100</u>	84,063
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers		802,202	
Lien Release Fees		16,984	
Usage Tax		1,144,706	
Tangible Personal Property Tax		1,436,610	
Affordable Housing Trust		24,216	
Other-			
Fish and Game Licenses		7,569	
Marriage Licenses		7,597	
Deed Transfer Tax		116,034	
Delinquent Tax		<u>150,271</u>	3,706,189
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		15,327	
Real Estate Mortgages		29,422	
Chattel Mortgages and Financing Statements		71,766	
Powers of Attorney		1,934	
All Other Recordings		47,185	
Charges for Other Services-			
Copywork		6,315	
Postage		<u>1,107</u>	173,056
Other:			
Refunds		1,329	
County Stickers		213,610	
Miscellaneous		<u>132</u>	215,071

The accompanying notes are an integral part of this financial statement.

OHIO COUNTY
 BESS RALPH, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Revenues (Continued)

Interest Earned	\$ 1,742
Total Revenues	4,212,423

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 560,813

Usage Tax 1,110,400

Tangible Personal Property Tax 561,021

Licenses, Taxes, and Fees-

Fish and Game Licenses 7,710

Delinquent Tax 45,073

Legal Process Tax 25,098

Affordable Housing Trust 24,216 \$ 2,334,331

Payments to Fiscal Court:

Tangible Personal Property Tax 70,324

Delinquent Tax 12,510

Deed Transfer Tax 110,233

County Stickers 205,065 398,132

Payments to Other Districts:

Tangible Personal Property Tax 748,020

Delinquent Tax 53,611 801,631

Payments to Sheriff 1,805

Payments to County Attorney 20,101

Operating Expenditures and Capital Outlay:

Materials and Supplies-

Office Supplies 389

The accompanying notes are an integral part of this financial statement.

OHIO COUNTY
 BESS RALPH, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay (Continued):

Other Charges-

Bad Debt Expense	\$	1,420	
Conventions and Travel		634	
Refunds		22,376	
Libraries and Archives Account		24,689	
Miscellaneous		27	
		<u>27</u>	\$ 49,535

Total Expenditures		\$ 3,605,535
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Net Revenues		606,888
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Less: Statutory Maximum	74,020	
Expense Allowance	3,600	
Training Incentive Benefit	1,762	
Fringe Benefit	<u>13</u>	<u>79,395</u>

Excess Fees Due County for 2008		527,493
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Payments to Fiscal Court - Monthly		<u>527,493</u>
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Balance Due Fiscal Court		<u>\$ 0</u>
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The accompanying notes are an integral part of this financial statement.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

OHIO COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Ohio County Clerk participates in a fee pooling system with the Fiscal Court. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The fee official is responsible for paying all amounts due to the taxing districts. Residual funds are then paid to the County Treasurer on a monthly basis. Invoices are submitted to the County Treasurer to document operating expenses. The County Treasurer pays almost all operating expenses for the fee official.

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Ohio County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Ohio County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of April 10, 2008, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the County Clerk's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$23,779

Note 4. Grant

The Ohio County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives during calendar year 2008 in the amount of \$49,377. The bank balance on January 1, 2008 was \$0. The account earned \$102 of interest. There were expenditures of \$24,689 during calendar year 2008. The unexpended grant balance was \$24,791 as of December 31, 2008.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Jones, Ohio County Judge/Executive
The Honorable Bess Ralph, Ohio County Clerk
Members of the Ohio County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Ohio County Clerk for the year ended December 31, 2008, and have issued our report thereon dated August 4, 2009. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ohio County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The County Clerk's Office Lacks Adequate Segregation Of Duties Relating To Receipts



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Ohio County Clerk's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Ohio County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

August 4, 2009

COMMENT AND RECOMMENDATION

OHIO COUNTY
BESS RALPH, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2008

INTERNAL CONTROL - MATERIAL WEAKNESS:

The County Clerk's Office Lacks Adequate Segregation Of Duties Relating To Receipts

The County Clerk's office has a lack of adequate segregation of duties over receipts. The individuals preparing the receipts ledger also collect receipts and prepare bank reconciliations. Some compensating controls were noted to offset internal control deficiencies relating to receipts, but are not adequate. The auditor recommends the following compensating controls be implemented:

- The County Clerk should periodically compare the daily checkout sheet to the receipts ledger. The County Clerk should document this by initialing the receipts ledger.
- The County Clerk should compare the quarterly financial report to the receipts ledger for accuracy. Any differences should be reconciled. The County Clerk should document this by initialing the quarterly report.

County Clerk's Response: None.

